

1                               BEFORE THE  
2                               ILLINOIS COMMERCE COMMISSION

3   ILLINOIS COMMERCE COMMISSION           ) DOCKET NO.  
4       On Its Own Motion                   )   00 -0712  
5                               -vs-                   )  
6   CONSUMERS GAS COMPANY                   )  
7       Reconciliation of revenues           )  
8       collected under gas adjustment       )  
9       charges with actual costs            )  
10      prudently incurred.                   )

11                               Springfield, Illinois  
12                               August 29, 2001

13                               Met, pursuant to notice, at 10:00 A.M.

14                               BEFORE:

15                               MR. WILLIAM SHOWTIS, Administrative Law Judge

16                               APPEARANCES:

17                               MR. STANLEY L. MORRIS  
18                               Quinn, Johnston, Henderson & Pretorius  
19                               205 South Fifth Street  
20                               Suite 900  
21                               Springfield, Illinois 62701

22                               (Appearing on behalf of Consumers Gas  
                              Company)

                              MS. THERESA EBREY  
                              527 East Capitol Avenue  
                              Springfield, Illinois 62701

                              (Appearing on behalf of the Staff of the  
                              Accounting Department, Financial  
                              Analysis Division, Illinois Commerce  
                              Commission)



1	I N D E X			
2	WITNESSES	DIRECT	CROSS	REDIRECT RECROSS
3	C. A. ROBINSON			
	By Mr. Morris	9		
4	By Judge Showtis		14	
5	THERESA EBREY			
	By Judge Showtis	17		
6	MARK MAPLE			
7	By Judge Showtis	19		
8				
9				
10				
11				
12	EXHIBITS	MARKED	ADMITTED	
13	Consumers 1, 2, 3, 4	8	13	
14	ICC Staff 1.00 Revised	8	19	
15	ICC Staff 2.0	--	21	
16				
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1 PROCEEDINGS

2 (Whereupon Consumers  
3 Exhibits 1, 2, 3, and 4 and  
4 ICC Staff 1.00 Revised were  
5 marked for identification.)

6 JUDGE SHOWTIS: Pursuant to the authority  
7 vested in me by the Commission, I now call for  
8 hearing Docket 00-0712 which is a proceeding by the  
9 Commission on its own motion versus Consumers Gas  
10 Company that concerns the reconciliation of  
11 revenues collected under gas adjustment charges  
12 with actual costs prudently incurred. This docket  
13 concerns the reconciliation for calendar year 2000.

14 Will the parties please enter their  
15 appearances for the record.

16 MR. MORRIS: Stanley Morris of Quinn,  
17 Johnston, Henderson and Pretorius, 205 South Fifth  
18 Street, Suite 900, Springfield, Illinois 62701,  
19 with a telephone number of 217/753-1133, on behalf  
20 of Consumers Gas Company.

21 MS. EBREY: Theresa Ebrey, appearing on behalf  
22 of the Accounting Department of the Financial

1     Analysis Division of the Illinois Commerce  
2     Commission, 527 East Capitol Avenue, Springfield,  
3     Illinois 62701, 217/785-1045.

4             MR. MAPLE: Mark Maple, appearing on behalf of  
5     the Engineering Department of the Energy Division  
6     of the Illinois Commerce Commission, 527 East  
7     Capitol Avenue, Springfield, Illinois 62701. My  
8     phone number is 217/785-3403.

9             JUDGE SHOWTIS: I'm going to swear the  
10    witnesses in.

11                             (Whereupon three witnesses  
12                             were sworn by Judge  
13                             Showtis.)

14             JUDGE SHOWTIS: You may proceed, Mr. Morris.

15                             C. A. ROBINSON  
16     called as a witness on behalf of Consumers Gas  
17     Company, having been first duly sworn, was examined  
18     and testified telephonically as follows:

19                             DIRECT EXAMINATION

20             BY MR. MORRIS:

21             Q.     C. A., just for purpose of the record,  
22     will you state your name and your business address,

1 please?

2 THE WITNESS:

3 A. C. A. Robinson with Consumers Gas  
4 Company at 1410 North Cullen, Evansville, Indiana.

5 Q. And, C.A., what's your relationship with  
6 Consumers Gas Company?

7 A. I'm owner or stockholder and president  
8 of the company.

9 Q. Mr. Robinson, I have had your prefiled  
10 testimony identified as Exhibit 4. Do you have a  
11 copy of that testimony before you?

12 A. I do.

13 Q. Mr. Robinson, do you have any changes or  
14 corrections or clarifications that you would want  
15 to make in Exhibit 4 at this time?

16 A. I do not.

17 Q. Okay. And Exhibit 4 is a copy of your  
18 prefiled testimony filed with this Commission some  
19 months ago, is it not?

20 A. I couldn't read you on that one, Stan.

21 Q. I said Exhibit 4 is a copy of your  
22 testimony previously filed with the Commission in

1       this docket. Is that correct?

2           A.     That's correct.

3           Q.     C. A., Exhibit 1 is the notice that was  
4       filed in your company offices concerning the PGA  
5       reconciliation. Is that correct?

6           A.     That is correct.

7           Q.     Exhibit 2 refers to copies of  
8       certificates of publication. Is that correct?

9           A.     That is correct.

10          Q.     Your testimony, which is Exhibit 4,  
11       refers to four certificates of publication. Is  
12       that correct?

13          A.     That is correct.

14          Q.     But this morning we actually have only  
15       three certificates. Is that correct?

16          A.     That's correct. One of the papers  
17       either is out of business or did not -- we did not  
18       get a notice back from them. We sent them an ad to  
19       put in the paper, but we have sufficient coverage  
20       for that area without that particular paper because  
21       it's a very local, small paper. The three that we  
22       got covers our entire consumer area.

1 Q. Thank you.

2 And Exhibit 3 to your testimony is what,  
3 Mr. Robinson?

4 A. Let me get it out here. Just a minute.  
5 Let me lay the phone down a minute.

6 (Pause in the proceedings.)

7 I'm looking through here. Excuse me.

8 Q. Okay. Mr. Robinson, is Exhibit 3  
9 actually the statement of the annual reconciliation  
10 of Consumers' gas revenue with the adjusted cost of  
11 gas?

12 A. Yes.

13 Q. And that's for the twelve months ending  
14 December 31st of 2000?

15 A. Exhibit 3. Okay. I'm looking through  
16 here. I don't see Exhibit 3 in my testimony for  
17 some reason.

18 Q. Do you recall Exhibit 3?

19 A. Okay, okay.

20 Q. Do you recall Exhibit 3?

21 A. Yes.

22 Q. And is that the actual statement



1 prepared of the reconciliation of Consumers' PGA  
2 gas revenue with the adjusted cost of gas?

3 A. It is. Yes, it is.

4 MR. MORRIS: Thank you.

5 Judge Showtis, I move for the admission  
6 of Consumers Exhibits 1, 2, 3, and 4, subject to  
7 cross-examination and motion to strike.

8 JUDGE SHOWTIS: Consumers Exhibits 1 through 4  
9 are admitted into evidence.

10 (Whereupon Consumers  
11 Exhibits 1, 2, 3, and 4 were  
12 received into evidence.)

13 MR. MORRIS: And tender the witness for  
14 cross-exam.

15 JUDGE SHOWTIS: Does Staff have any questions?

16 MS. EBREY: No.

17 MR. MAPLE: No questions.

18 JUDGE SHOWTIS: Mr. Robinson, I just had one  
19 or two questions.

20 THE WITNESS: Okay.

21

22

1 EXAMINATION

2 BY JUDGE SHOWTIS:

3 Q. The vast majority of the gas utilized by  
4 Consumers in 2000 was purchased through a gas  
5 marketer, J. D. Woodward. Is that correct?

6 A. That is correct. Most of our gas is  
7 purchased through them, correct.

8 Q. Okay. And J. D. Woodward buys index  
9 gas. Is that correct?

10 A. We buy index through J. D. Woodward. We  
11 pay an index price. I don't know how he arrived at  
12 his gas. We pay index to him.

13 Q. And Consumers has a long-term,  
14 multi-year contract with J. D. Woodward?

15 A. We have a ten-year contract that expires  
16 in the year 2002, right, and that contract will  
17 expire in the year 2002, which is next year.

18 Q. Did you have a chance to review Staff  
19 witness Maple's testimony?

20 A. I'm not familiar with what you're  
21 talking about.

22 Q. Well, Staff filed -- maybe you didn't

1 get copies of Staff's testimony, but two Staff  
2 members prefiled some testimony in this proceeding.

3 A. Right. I've reviewed that, right.

4 Q. Okay. Well, one of Mr. Maple's  
5 recommendations is that Consumers consider  
6 purchasing a portion of its gas supply with  
7 contracts not tied to index pricing.

8 A. Okay.

9 Q. And he mentions that Consumers should  
10 weigh the risks and the benefits of non-index  
11 pricing and develop an appropriate gas purchasing  
12 strategy using prudent risk management practices,  
13 and he concluded that this strategy should help  
14 provide greater price stability for Illinois  
15 customers.

16 A. Right.

17 Q. What is your response to that  
18 recommendation?

19 A. Well, we have initiated that this year.  
20 In fact, we have bought some futures. We have pre -  
21 purchased our gas for the season, but that happens  
22 to be for the year 2001 and 2002. We have pre -

1 purchased our gas on pre-purchase contracts to help  
2 to try to keep our price consistent.

3 Q. Okay.

4 A. We've followed what he suggested. We  
5 did not do it in the year 2000 though. There was  
6 no gas bought on that basis.

7 Q. Okay.

8 A. But we have changed and done that this  
9 year.

10 Q. And would it be your intention to  
11 continue that practice in the future?

12 A. Definitely. We have done that in the  
13 past. Occasionally we have done that on different  
14 years. The year 2000 we elected not to do it  
15 because we didn't feel it would be to our benefit,  
16 but we've restarted after Maple's comments. We  
17 went ahead and restarted doing it again. We pre-  
18 purchased three-fourths of our gas that we will use  
19 this next heating season.

20 Of course we buy our storage gas in the  
21 summer, and it's not on an index price. Our gas  
22 purchases for storage is on a basis of whatever we

1     can get.  It's a local basis.  It's a futures  
2     basis.

3             JUDGE SHOWTIS:  Okay.  That's all the  
4     questions I had of Mr. Robinson.

5             MR. MORRIS:  I don't have any redirect.

6             JUDGE SHOWTIS:  Okay.

7                             (Witness excused.)

8             JUDGE SHOWTIS:  I'll have the Staff witnesses  
9     identify their testimony.  We'll start with Staff  
10    witness Ebrey.

11                            THERESA EBREY  
12    called as a witness on behalf of the Staff of the  
13    Illinois Commerce Commission, having been first  
14    duly sworn, was examined and testified as follows:

15                            EXAMINATION

16             BY JUDGE WOODS:

17             Q.     Would you state your name for the  
18     record?

19             THE WITNESS:

20             A.     Theresa Ebrey.

21             Q.     What's your position with the  
22     Commission?

1           A.     I'm an accountant in the Accounting  
2     Department .

3           Q.     And you are offering in this proceeding  
4     what has been marked by the Court Reporter as Staff  
5     Exhibit 1.00 Revised. Is that correct?

6           A.     That's correct.

7           Q.     It's my understanding that there was one  
8     revision to the testimony that you filed with the  
9     Chief Clerk's Office that appears on the e-Docket  
10    system. Is that correct?

11          A.     That's correct.

12          Q.     Would you just indicate what that  
13    correction was?

14          A.     On page 5, lines 81 and 82, the  
15    statement should read: "I recommend that the  
16    Commission direct Consumers Gas Company to collect  
17    this additional amount." I had made reference to  
18    Union Electric Company on my prefiled testimony.

19          Q.     That is the only correction. Is that  
20    correct?

21          A.     That's the only correction.

22          Q.     And you do not have any other additions

1 or corrections which you wish to make to your  
2 testimony at this time.

3 A. No, I do not.

4 Q. And are you requesting that Staff  
5 Exhibit 1.00 Revised be admitted into evidence?

6 A. Yes.

7 MR. MORRIS: No objection.

8 JUDGE SHOWTIS: That exhibit is admitted into  
9 evidence.

10 (Whereupon ICC Staff  
11 Exhibit 1.00 Revised was  
12 received into evidence.)

13 Do you have any questions, Mr. Morris?

14 MR. MORRIS: I do not.

15 JUDGE SHOWTIS: Okay.

16 (Witness excused.)

17 I'll have Mr. Maple identify himself.

18 MARK MAPLE

19 called as a witness on behalf of the Staff of the  
20 Illinois Commerce Commission, having been first  
21 duly sworn, was examined and testified as follows:

22 EXAMINATION

1 BY JUDGE SHOWTIS:

2 Q. Would you state your name for the  
3 record?

4 THE WITNESS:

5 A. Mark Maple.

6 Q. What's your position with the  
7 Commission?

8 A. I'm an energy engineer in the  
9 Engineering Department of the Energy Division.

10 Q. Okay. And you have prefiled direct  
11 testimony in this proceeding that is identified as  
12 Staff Exhibit 2.0 which appears on the Commission's  
13 e-Docket system. Is that correct?

14 A. That's correct.

15 Q. And you do not have any additions or  
16 corrections to that testimony as it appears on  
17 e-Docket.

18 A. I have no changes.

19 Q. And are you requesting that your direct  
20 testimony as it appears on e-Docket be admitted  
21 into evidence as Staff Exhibit 2.0?

22 A. Yes.



1 JUDGE SHOWTIS: Do you have any objection?

2 MR. MORRIS: No objection.

3 JUDGE SHOWTIS: Staff Exhibit 2.0 is admitted  
4 into evidence.

5 (Whereupon ICC Staff  
6 Exhibit 2.0 was received  
7 into evidence.)

8 Q. I asked some questions of Mr. Robinson  
9 with regard to your recommendations pertaining to  
10 the purchase of a portion of the gas supply with  
11 contracts not tied to index pricing. Are you  
12 satisfied by the response of Mr. Robinson?

13 A. Yes, I'm satisfied.

14 JUDGE SHOWTIS: Okay. That's all the  
15 questions I had.

16 MR. MORRIS: I have no questions at all of  
17 Mr. Maple.

18 JUDGE SHOWTIS: Okay.

19 (Witness excused.)

20 Mr. Morris, I would suggest that  
21 Consumers prepare a draft order that it would then  
22 submit to Staff for its review.

1           MR. MORRIS: I'll take care of that.

2           JUDGE SHOWTIS: And then after Staff reviews  
3 it, it should be filed with the Chief Clerk's  
4 office.

5           MR. MORRIS: I'll do that.

6           JUDGE SHOWTIS: I would not intend to make any  
7 substantive changes to that draft order. I may  
8 make some minor revisions. Therefore, I do not  
9 intend to serve a proposed order on the parties.  
10 Is that acceptable?

11          MR. MORRIS: That's understood.

12          JUDGE SHOWTIS: Is there anything else that  
13 needs to be discussed today?

14          MR. MORRIS: No, Judge, not on behalf of the  
15 Company.

16          JUDGE SHOWTIS: Okay. Then the record is  
17 marked Heard and Taken.

18                           HEARD AND TAKEN

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22

1     STATE OF ILLINOIS     )  
                                  )SS  
2     COUNTY OF SANGAMON    )  
  
3     CASE NO.:   00-0712  
  
4     TITLE:   ILLINOIS COMMERCE COMMISSION  
                  On Its Own Motion  
5                        -vs-  
                  CONSUMERS GAS COMPANY  
6  
7  
8  
9

10                               CERTIFICATE OF REPORTER

11             I, Cheryl A. Davis, do hereby certify that I  
12     am a court reporter contracted by Sullivan  
13     Reporting Company of Chicago, Illinois; that I  
14     reported in shorthand the evidence taken and  
15     proceedings had on the hearing on the  
16     above-entitled case on the 29th day of August,  
17     2001; that the foregoing pages are a true and  
18     correct transcript of my shorthand notes so taken  
19     as aforesaid and contain all of the proceedings  
20     directed by the Commission or other persons  
21     authorized by it to conduct the said hearing to be  
22     so stenographically reported.

           Dated at Springfield, Illinois, on this 10th  
day of September, A.D., 2001.

                                  Certified Shorthand Reporter  
                                  License No. 084-001662